



MILLENNIUM CHALLENGE CORPORATION

[MCC FR 21-13]

Report on the Selection of Eligible Countries for Fiscal Year 2022

AGENCY: Millennium Challenge Corporation.

ACTION: Notice.

SUMMARY: This report is provided in accordance with the Millennium Challenge Act of 2003, as amended. The report is set forth in full below.

AUTHORITY: Section 608(d)(2) of the Millennium Challenge Act of 2003, as amended, 22 U.S.C. §7707(d)(2) (the Act).

Dated: December 20, 2021.

Thomas G. Hohenthanner,
Acting VP/General Counsel and Corporate Secretary.

Report on the Selection of Eligible Countries for Fiscal Year 2022

SUMMARY

This report is provided in accordance with section 608(d)(1) of the Millennium Challenge Act of 2003, as amended (the Act) (22 U.S.C. 7707(d)(1)).

The Act authorizes the provision of assistance under section 605 of the Act (22 U.S.C. 7704) to countries that enter into compacts with the United States to support policies and programs that advance the progress of such countries in achieving lasting poverty reduction through economic growth, and are in furtherance of the Act. The Act requires the Millennium Challenge Corporation (MCC) to determine the countries that will be eligible to receive assistance for the fiscal year, based on their demonstrated commitment to just and democratic governance, economic freedom, and investing in their people, as well as on the opportunity to reduce poverty through economic growth in the country. The Act also requires the submission of reports to appropriate

congressional committees and the publication of notices in the *Federal Register* that identify, among other things:

1. The countries that are “candidate countries” for assistance for fiscal year (FY) 2022 based on their per-capita income levels and their eligibility to receive assistance under U.S. law, and countries that would be candidate countries, but for specified legal prohibitions on assistance (section 608(a) of the Act (22 U.S.C. 7707(a)));
2. The criteria and methodology that the Board of Directors of MCC (the Board) used to measure and evaluate the policy performance of the “candidate countries” consistent with the requirements of section 607 of the Act in order to determine “eligible countries” from among the “candidate countries” (section 608(b) of the Act (22 U.S.C. 7707(b))); and
3. The list of countries determined by the Board to be “eligible countries” for FY 2022, with justification for eligibility determination and selection for compact negotiation, including with which of the eligible countries the Board will seek to enter into compacts (section 608(d) of the Act (22 U.S.C. 7707(d))).

This is the third of the above-described reports by MCC for FY 2022. It identifies countries determined by the Board to be eligible under section 607 of the Act (22 U.S.C. 7706) for FY 2022 with which the MCC will seek to enter into compacts under section 609 of the Act (22 U.S.C. 7708), as well as the justification for such decisions. The report also identifies countries selected by the Board to receive assistance under MCC’s threshold program pursuant to section 616 of the Act (22 U.S.C. 7715).

ELIGIBLE COUNTRIES

The Board met on December 14, 2021 to select those eligible countries with which the United States, through MCC, will seek to enter into a Millennium Challenge Compact pursuant to section 607 of the Act (22 U.S.C. 7706). The Board selected the following eligible countries for such assistance for FY 2022: Belize and Zambia. The Board also selected the following previously selected countries for compact assistance for FY 2022: Benin, Burkina Faso, Côte d’Ivoire,

Indonesia, Lesotho, Malawi, Mozambique, Niger, Sierra Leone, and Timor-Leste.

Criteria

In accordance with the Act and with the “Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance in Fiscal Year 2022” formally submitted to Congress on September 29, 2021, selection was based primarily on a country’s overall performance in three broad policy categories: *Ruling Justly*, *Encouraging Economic Freedom*, and *Investing in People*. The Board relied, to the fullest extent possible, upon transparent and independent indicators to assess countries’ policy performance and demonstrated commitment in these three broad policy areas. The Board compared countries’ performance on the indicators relative to their income-level peers, evaluating them in comparison to either the group of countries with a GNI per capita equal to or less than \$1,965, or the group with a GNI per capita between \$1,966 and \$4,095.

The criteria and methodology used to assess countries on the annual scorecards are outlined in the “Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance for Fiscal Year 2022¹.” Scorecards reflecting each country’s performance on the indicators are available on MCC’s website at <https://www.mcc.gov/who-we-select/scorecards>.

The Board also considered whether any adjustments should be made for data gaps, data lags, or recent events since the indicators were published, as well as strengths or weaknesses in particular indicators. Where appropriate, the Board took into account additional quantitative and qualitative information, such as evidence of a country’s commitment to fighting corruption, investments in human development outcomes, or poverty rates. In keeping with legislative directives, the Board also considered the opportunity to reduce poverty and promote economic growth in a country, in light of the overall information available, as well as the availability of appropriated funds.

¹ Available at <https://www.mcc.gov/resources/doc/report-selection-criteria-methodology-fy22>

The Board sees the selection decision as an annual opportunity to determine where MCC funds can be most effectively used to support poverty reduction through economic growth in relatively well-governed, poor countries. The Board carefully considers the appropriate nature of each country partnership—on a case-by-case basis—based on factors related to poverty reduction through economic growth, the sustainability of MCC’s investments, and the country’s ability to attract and leverage public and private resources in support of development.

This was the fourth year the Board considered the eligibility of countries for concurrent compacts. In addition to the considerations for compact eligibility detailed above, the Board considered whether a country being considered for a concurrent compact is making considerable and demonstrable progress in implementing the terms of its existing compact.

This was the thirteenth year the Board considered the eligibility of countries for subsequent compacts, as permitted under section 609(l) of the Act. MCC’s engagement with partner countries is not open-ended, and the Board is deliberate when selecting countries for follow-on partnerships, particularly regarding the higher bar applicable to subsequent compact countries. In making these selection decisions, the Board considered—in addition to the criteria outlined above—the country’s performance implementing its prior compact, including the nature of the country’s partnership with MCC, the degree to which the country has demonstrated a commitment and capacity to achieve program results, and the degree to which the country implemented the compact in accordance with MCC’s core policies and standards. To the greatest extent possible, these factors were assessed using pre-existing monitoring and evaluation targets and regular quarterly reporting. This information was supplemented with direct surveys and consultation with MCC staff responsible for compact implementation, monitoring, and evaluation. MCC published a Guide to Supplemental Information² and related webpages³ regarding how MCC assesses performance on the Access to Credit, Land Rights and Access, and Business Start-Up indicators

² Available at <https://www.mcc.gov/resources/doc/guide-to-supplemental-information>

³ Available at <https://www.mcc.gov/blog/entry/blog-101921-financial-inclusion> (Access to Credit and Land Rights and Access) and <https://www.mcc.gov/who-we-select/indicators/doing-business-indicators-fy22> (Business Start-Up)

on the scorecard, in order to increase transparency about the type of supplemental information the Board uses to assess a country's policy performance. The Board also considered a country's commitment to further sector reform, as well as evidence of improved scorecard policy performance.

In addition, this is the sixth year where the Board considered an explicit higher bar for those countries close to the upper end of the candidate pool, looking closely in such cases at a country's access to development financing, the nature of poverty in the country, and its policy performance.

Countries newly selected for compact assistance

Using the criteria described above, two candidate countries under section 606(a) of the Act (22 U.S.C. 7705(a)) were newly selected for assistance under section 607 of the Act (22 U.S.C. 7706): Belize and Zambia. In accordance with section 609(k) of the Act, no candidate countries were newly selected to explore development of a concurrent compact program under section 607 of the Act (22 U.S.C. 7706).

Belize: Belize offers MCC the opportunity to engage with a country that is committed to democratic governance but that faces rising poverty rates, significant challenges to economic growth, and vulnerability to external shocks. Belize meets the scorecard criteria, passing 13 of 20 indicators overall in FY 2022, with strong performance on both the Control of Corruption and Democratic Rights "hard hurdles." By selecting Belize for a compact, MCC will support the government's efforts to strengthen economic growth to reduce poverty and address the development challenges facing the country.

Zambia: Zambia's recent democratic transition and demonstrated commitment to pursuing critical economic and democratic governance reforms contributed to the Board's decision to select Zambia for a subsequent compact. Zambia passes the scorecard in FY 2022, passing 15 of 20 indicators overall, including both the Control of Corruption and Democratic Rights "hard hurdles." By selecting Zambia for a compact, MCC can support the government's efforts to make key economic

and governance reforms, reduce poverty and strengthen economic growth, and address the country's pressing development challenges.

Countries selected to continue compact development

Ten of the countries selected for compact assistance for FY 2022 were previously selected for FY 2021. **Indonesia, Lesotho, Malawi, Mozambique, Sierra Leone, and Timor-Leste** were selected to continue developing “domestic” compacts. **Benin, Burkina Faso, Côte d’Ivoire, and Niger** were selected to continue developing concurrent compacts for the purpose of regional integration. Selection of these countries for FY 2022 was based on an assessment of their policy performance since their prior selection.

Although the Board reselected Benin, it endorsed MCC's determination to significantly reduce the portion of the planned regional investment that would be made in Benin through a concurrent compact due to Benin's multi-year decline in its commitment to the principles that underpin MCC's eligibility criteria, including the core principles of democratic governance.

Countries selected to receive threshold program assistance

The Board did not newly select any countries to receive threshold program assistance for FY 2022.

Countries selected to continue developing threshold programs

The Board selected **Kenya** and **Kiribati** to continue developing threshold programs. Selection of these countries for FY 2022 was based on their continued performance since their prior selection.

ONGOING REVIEW OF PARTNER COUNTRIES' POLICY PERFORMANCE

The Board emphasized the need for all partner countries to maintain or improve their policy performance. If it is determined during compact implementation that a country has demonstrated a significant policy reversal, MCC can hold it accountable by applying MCC's Suspension and

Termination Policy⁴.

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⁴Available at <https://www.mcc.gov/who-we-select/suspension-or-termination>